

**MISSOURI HEALTH AND EDUCATIONAL  
FACILITIES AUTHORITY**

**FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

Missouri Health and Educational Facilities Authority

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Missouri Health and Educational Facilities Authority  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2008 and 2007

This section of the Missouri Health and Educational Facilities Authority (the "Authority") annual financial report presents management's discussion and analysis of the Authority's operations and financial position during the fiscal years ended December 31, 2008 and 2007. This analysis should be read in conjunction with the independent auditors' report, financial statements, notes to the financial statements and supplementary information.

## **BACKGROUND ON THE AUTHORITY**

The Health and Educational Facilities Authority of the State of Missouri was created by an Act of the Missouri General Assembly and became operational in 1979. The Authority is a self-supporting entity under the Office of Administration of the State of Missouri. No taxing power exists and no appropriations or other State support are received by the Authority. It is empowered to make loans to any qualified health or educational institution and to refund outstanding obligations, mortgages or advances issued, made or given for the cost of the facilities. The Authority's transactions are accounted for in a single enterprise fund which is a type of proprietary fund that maintains operations similar to private business enterprises.

The Authority assists not-for-profit institutions in borrowing funds at the lowest possible cost to provide quality medical and educational services to Missouri residents. Interest paid on Authority bonds and notes is exempt from Federal and Missouri state income taxation, resulting in materially lower interest rates for substantial savings on financing cost. Many types of health care and education institutions across the state arranged for health facilities ranging from fewer than 100 to over 1,000 beds, including acute and primary care facilities, teaching centers, medical research institutions, osteopathic hospitals, retirement and nursing homes, specialized care centers and alcoholic rehabilitation treatment centers. Educational financings include public universities, liberal arts colleges, major research universities and medical schools, institutions of specialized instruction, public school districts, private elementary and secondary schools and charter schools.

During 1985, the Authority became authorized to assist public school districts and community colleges with loans to fund shortfalls in operating funds during the school year.

In 1988, the Authority issued a series of bonds designed to assist organizations that provide care for persons affected by mental disabilities.

During 1995, the Authority was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. The Authority also developed the HELP Program which provides low interest loans to small health care and educational facilities.

The Authority's bonds and notes do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation. The credit supporting any Authority note or bond issue is the credit of the individual borrowing institution. The bonds and notes are limited obligations of the Authority payable solely from payments made by the borrowing institution.

Missouri Health and Educational Facilities Authority  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2008 and 2007  
(Continued)

## FINANCIAL HIGHLIGHTS

- MOHEFA's total net assets increased by \$416,637 from 2007 to 2008 and \$609,181 from 2006 to 2007.
- During the year ended December 31, 2008, MOHEFA's total revenues exceeded expenses by \$416,637. MOHEFA had operating expenses of \$841,418 in 2008 compared to \$814,930 in 2007 and operating revenues of \$1,048,995 compared to \$1,037,904 for those same years.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The three basic statements presented within the financial report are as follows:

- Balance Sheet – This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within one year of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects the operating revenue, expenses, and non-operating revenue during the year. Operating revenue is from administrative fees charged to health care and educational institutions. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – the statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease for the year.

The following summarizes the financial position of the Authority for the years ended December 31, 2008 and 2007.

ASSETS			
	2008	2007	Increase (Decrease) 2008 vs 2007
Current assets	\$ 7,049,384	\$ 7,951,076	(\$ 901,692)
Noncurrent assets	<u>2,340,903</u>	<u>995,895</u>	<u>1,345,008</u>
Total Assets	<u>\$ 9,390,287</u>	<u>\$ 8,946,971</u>	<u>\$ 443,316</u>
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 157,511	\$ 130,832	\$ 26,679
Net assets	<u>9,232,776</u>	<u>8,816,139</u>	<u>416,637</u>
Total Liabilities and Net Assets	<u>\$ 9,390,287</u>	<u>\$ 8,946,971</u>	<u>\$ 443,316</u>

Missouri Health and Educational Facilities Authority  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2008 and 2007  
(Continued)

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

The following summarizes the results of operations of the Authority for the years ended December 31, 2008 and 2007.

	2008	2007	Increase (Decrease) 2008 vs 2007
Operating revenues	\$ 1,048,995	\$ 1,037,904	\$ 11,091
Operating expenses	<u>841,418</u>	<u>814,930</u>	<u>26,488</u>
Operating Income	207,577	222,974	( 15,397)
Nonoperating revenue (expense):			
Investment income	<u>209,060</u>	<u>386,207</u>	<u>( 177,147)</u>
Change in Net Assets	416,637	609,181	( 192,544)
Total Net Assets - Beginning of Year	<u>8,816,139</u>	<u>8,206,958</u>	<u>609,181</u>
Total Net Assets - End of Year	<u>\$ 9,232,776</u>	<u>\$ 8,816,139</u>	<u>\$ 416,637</u>

**ANALYSIS**

Over 85% of operating revenue comes from the application fees, annual service fees and interest paid by borrowers in order to take advantage of financing opportunities offered by the Authority. Total outstanding transactions continue to increase and demand for new transactions is very strong. The Authority is confident that while its fees and interest rates are low compared to similar issuers in other states, the various operating revenue sources are adequate to maintain the operations of the Authority. Interest income on investment of reserves is the other component of total revenue. Interest rates fluctuated during the year with an overall drastic decrease by year end. As such, total investment revenue in 2008 was significantly lower than in 2007.

The Authority issues bonds, notes and leases on behalf of various health systems, stand-alone hospitals, medical research institutions, long term care facilities, higher educational institutions, public school districts, private elementary and secondary schools and educational systems. In 2008, activity was approximately 80% health care and 20% education in terms of dollar volume and 64% and 36%, respectively, in terms of the number of transactions. Historically, activity has been approximately 65% health care and 35% education in terms of dollar volume and 50% each in terms of the number of transactions.

Fiscal year 2008 represented a typical number of financing. The 14 bond and note issues are very near the Authority's historic annual average. However, dollar volume of \$1,905,060,000 was the highest in the history of the Authority as borrowers responded to market factors.

Missouri Health and Educational Facilities Authority  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2008 and 2007  
(Continued)

**ANALYSIS (Continued)**

In addition, the Authority's direct loan HELP Program continues to be a success in providing low cost loans to very small health and education providers and to public school districts.

The Missouri School District Direct Deposit Program finished the June 30, 2008 fiscal year with 77 transactions and \$482,715,000 in school district bonds. The Authority acts as Program Administrator and not issuer; therefore the activity is not recorded in the Authority's financial statements. The program administration fee was \$30,800 for the year ended December 31, 2008 and \$38,000 for the year ended December 31, 2007.

**ADMINISTRATION OF AUTHORITY CONDUIT DEBT**

As of December 31, 2008, the Authority had outstanding \$6,786,031,314 of conduit debt in bonds, notes and leases. The total amount outstanding continues to grow as more money is borrowed through the capital markets than is paid off through calls, maturities, refundings, etc. which is well within the expectation, scope and purpose of the Authority. Transactions outstanding include publicly placed bonds with various ratings from Standard & Poor's, Fitch and/or Moody's ranging from AAA/Aaa through BBB-/Baa3, publicly placed bonds that are unrated, privately placed unrated bonds and notes with various short term ratings.

More detailed information regarding the outstanding and defeased debt of the Authority can be found in Note G to the financial statements and in the supplemental information section at the back of the financial statements.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, contact the Authority's Executive Director or Assistant Director at 15450 South Outer Forty Road, Suite 230, Chesterfield, Missouri 63017.





### **Independent Auditors' Report**

To the Members of the  
Missouri Health and Educational Facilities Authority  
Chesterfield, Missouri

We have audited the accompanying balance sheets of the Missouri Health and Educational Facilities Authority (the "Authority") as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Health and Educational Facilities Authority as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages *i - iv* is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Schmersahl Treloar & Co., PC*

March 11, 2009

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## **FINANCIAL STATEMENTS**



Missouri Health and Educational Facilities Authority  
BALANCE SHEETS

ASSETS

	December 31,	
	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 175,247	\$ 68,300
Investments	6,403,453	7,520,696
Receivables	116,599	149,231
Notes receivable, current portion	300,337	159,634
Prepaid expenses and other current assets	<u>53,748</u>	<u>53,215</u>
Total Current Assets	<u>7,049,384</u>	<u>7,951,076</u>
NOTES RECEIVABLE	2,324,254	991,837
PROPERTY, PLANT, AND EQUIPMENT, net	<u>16,649</u>	<u>4,058</u>
TOTAL ASSETS	<u><u>\$ 9,390,287</u></u>	<u><u>\$ 8,946,971</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 16,603	\$ -
Deferred administrative fee income	<u>140,908</u>	<u>130,832</u>
Total Current Liabilities	<u>157,511</u>	<u>130,832</u>
NET ASSETS		
Unrestricted	<u>9,232,776</u>	<u>8,816,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,390,287</u></u>	<u><u>\$ 8,946,971</u></u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

	Years Ended December 31,	
	2008	2007
REVENUE		
Administrative fees	\$ 893,991	\$ 910,363
Interest income - HELP program	97,093	46,380
Direct Deposit Program fees	30,800	38,000
Other	4,511	27,161
Application fees	22,600	16,000
Total Revenue	1,048,995	1,037,904
OPERATING EXPENSES		
Salaries and fringe benefits	346,527	335,276
Legal and professional fees	261,146	241,926
General and administrative expenses	233,745	237,728
Total Operating Expenses	841,418	814,930
Operating Income	207,577	222,974
NON-OPERATING INCOME		
Investment income	209,060	386,207
CHANGES IN NET ASSETS	416,637	609,181
NET ASSETS, Beginning of year	8,816,139	8,206,958
NET ASSETS, End of year	\$ 9,232,776	\$ 8,816,139

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority  
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from others	\$ 1,070,362	\$ 1,067,126
Cash payments to suppliers for goods and services	( 476,345)	( 470,845)
Cash paid to employees for services and benefits	( 346,527)	( 335,276)
Net Change in Cash and Cash Equivalents from Operating Activities	<u>247,490</u>	<u>261,005</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, and equipment	( 15,067)	( 2,425)
Issuance of notes receivable	( 1,720,000)	( 400,000)
Payments received on notes receivable	246,880	151,823
Purchase of investments	( 14,067,409)	( 16,811,091)
Sale of investments	15,184,652	16,424,995
Interest received	<u>230,401</u>	<u>368,573</u>
Net Change in Cash and Cash Equivalents from Investing Activities	<u>( 140,543)</u>	<u>( 268,125)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	106,947	( 7,120)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>68,300</u>	<u>75,420</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 175,247</u>	<u>\$ 68,300</u>

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET CHANGE IN CASH FROM  
OPERATING ACTIVITIES**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 207,577	\$ 222,974
Adjustments to reconcile changes in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation expense	2,476	3,961
(Increase) decrease in assets:		
Receivables	11,291	46,737
Prepaid expenses	( 533)	4,848
Increase (decrease) in liabilities:		
Accounts payable	16,603	-
Deferred administrative fee income	<u>10,076</u>	<u>( 17,515)</u>
Net Change in Cash and Cash Equivalents from Operating Activities	<u>\$ 247,490</u>	<u>\$ 261,005</u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Missouri Health and Educational Facilities Authority (the "Authority") is a public instrumentality of the State of Missouri intended to provide an additional capital financing method for non-profit health and educational institutions within the State of Missouri. The Authority may issue tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustees under the loan agreements.

The Authority is a related organization to the State of Missouri, and as such, the State is accountable for the Authority.

**Reporting Entity**

The Missouri Health and Educational Facilities Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *"The Reporting Entity."* The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

**Basis of Accounting and Revenue Recognition**

The Authority is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements and has elected to apply the following pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins. The Authority has elected not to follow FASB pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Authority considers cash equivalents to include short-term investments which generally are investments with maturities of 90 days or less when purchased that are both (1) readily convertible to known amounts of cash, or (2) so near their maturity that they present insignificant risk of change in value because of changes in interest rates.

Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents** (Continued)

The Authority maintains its cash in bank deposits which at times may exceed federally insured limits of up to \$100,000 (\$250,000 from October 3, 2008 through December 31, 2009) for each account. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Investments**

Investments are stated at fair value in accordance with GASB Statement No. 31.

**Accounts and Notes Receivables**

The Authority uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to reserves considered reasonable by management. Management believes that substantially all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts at December 31, 2008 or 2007.

**Deferred Administrative Fee Income**

The Authority's revenues are derived from service fees assessed on a percentage of the outstanding bond principal of each issue. The institutions are generally billed in advance on a quarterly basis and revenues are recognized ratably over the period earned.

**Concentration of Credit Risk**

\$393,025 of the Authority's notes receivable are uncollateralized obligations of the non-profit institutions. (Note F)

**Net Assets**

Net assets represent the difference between assets and liabilities and are classified as either: capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets; restricted when there are limitations imposed on their use either by law through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and unrestricted for those net assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007  
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial Instruments**

The carrying amount of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and deferred income approximates fair value due to the short-term maturities of these instruments.

**Property and Equipment**

Property and equipment consists mainly of office furniture and equipment recorded at cost. Depreciation expense for fixed assets is recognized on the straight-line method over estimated useful lives ranging from three to seven years. Property and equipment activity was as follows:

	December 31, 2006		December 31, 2007		December 31, 2008
	Balance	Activity	Balance	Activity	Balance
Total capital assets being depreciated	\$ 81,861	\$ 2,425	\$ 84,286	\$ 15,067	\$ 99,353
Less accumulated depreciation	( 76,267)	( 3,961)	( 80,228)	( 2,476)	( 82,704)
Total Property and Equipment, net	<u>\$ 5,594</u>	<u>(\$ 1,536)</u>	<u>\$ 4,058</u>	<u>\$ 12,591</u>	<u>\$ 16,649</u>

B. **INVESTMENTS**

The Board has adopted an investment policy which identifies various authorized investment instruments, maturity constraints, investment ratings, and liquidity parameters. Authorized investments include obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association.

Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007  
(Continued)

B. **INVESTMENTS** (Continued)

At December 31, 2008, the Authority had its investments in Certificates of Deposit and Federal National Mortgage Association (FNMA) notes with the following annual maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Certificates of Deposit	\$ 5,566,000	\$ 3,474,000	\$ 2,092,000	\$ -	\$ -
FNMA	<u>837,453</u>	<u>837,453</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,403,453</u>	<u>\$ 4,311,453</u>	<u>\$ 2,092,000</u>	<u>\$ -</u>	<u>\$ -</u>

*Custodial Credit Risk—Deposits.* Custodial credit risk is the risk that in the event of a bank failure, Missouri Health and Educational Facilities Authority's deposits may not be returned to it. The Authority's Certificates of Deposit are invested in banks with a rating of AA or AAA. As of December 31, 2008, \$4,946,443 of the Authority's Certificate of Deposit balance of \$5,566,000 was exposed to custodial credit risk as uninsured and uncollateralized. The FNMA notes are guaranteed by the U.S. government

*Interest Rate Risk –* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority holds Certificates of Deposit and Federal National Mortgage Association notes, with maturities generally ranging from three months to two years. The Authority's policy is to hold investments which mature or are redeemable at the option of the holder on a date or date prior to the time when the funds so invested will be required for expenditure.

*Credit Risk –* Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Authority's investments consist of Federal National Mortgage Association notes which are guaranteed by the full faith and credit of the United States of America as to principal and interest. The Authority's policy is defined by Missouri statute and limits investments to securities guaranteed by the federal government, states or Federal Deposit Insurance Corporation.

*Concentration of Credit Risk –* Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. The Authority's policy is defined by Missouri statute and limits investments to securities guaranteed by the federal government, states or Federal Deposit Insurance Corporation.



Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007  
(Continued)

**C. LEASE COMMITMENT**

The Authority leases office space under a seventy-two month office lease agreement that was entered into in April 1997 and amended April 2003. For the years ended December 31, 2008 and 2007, rent expense was \$76,601 and \$76,848, respectively.

In January 2009, the Authority entered into a new 6-year lease agreement for office space at the same location. The effective date of the lease is May 2009. Future minimum lease payments under these leases are as follows:

Year Ending <u>December 31,</u>	
2009	\$ 74,518
2010	75,682
2011	76,555
2012	77,428
2013	78,301
2014 – 2015	<u>105,663</u>
Total	<u>\$488,147</u>

**D. PENSION PLAN**

The Authority has a defined contribution retirement plan covering all full-time employees. The Authority contributes to the plan, on a quarterly basis in arrears, an amount equal to twenty percent of each qualified employee's salary. Such contributions are fully vested. For the years ended December 31, 2008 and 2007, expenses under this plan were \$51,173 and \$49,204, respectively.

**E. DEFERRED COMPENSATION PLAN**

The Authority has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Authority employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. As required by the Internal Revenue Code, the plan assets have been placed in a trust for the exclusive benefit of the employees and are not the property of the Authority or subject to the claims of the Authority's general creditors. Accordingly, the assets of the plan are not reflected in the financial statements.

**F. NOTES RECEIVABLE**

The Authority has made loans to school districts and small and rural providers of health and educational services at interest rates of 3.49% to 5.00% per annum on outstanding balances. These loans require monthly principal and interest payments and have a maturity of ten to twenty years.

Missouri Health and Educational Facilities Authority  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007  
(Continued)

**F. NOTES RECEIVABLE (Continued)**

At December 31, 2008 and 2007, the interest bearing notes receivable are as follows:

	<u>Due</u>	<u>2008</u>	<u>2007</u>
Central Methodist College	2009	\$ 12,544	\$ 36,713
Community Hospital	2013	98,814	120,356
Forest Institute of Prof. Psychology	2018	233,576	-
I-70 Medical Center	2015	139,657	156,203
Jordan Valley Community Health Center	2018	375,456	-
Katy Trail Community Health	2018	266,720	-
La Plata R-II School District	2017	360,041	392,451
Northeast Missouri Health Council	2022	155,523	163,964
Northwest Health Services, Inc.	2012	57,081	72,861
Northwest Health Services, Inc.	2014	128,389	146,885
Preferred Family Healthcare	2010	40,934	62,038
Steelville R-3 of Crawford County	2018	380,481	-
Western Johnson County Health Clinic	2018	<u>375,375</u>	<u>-</u>
Total Notes Receivable		2,624,591	1,151,471
Current Portion		<u>( 300,337)</u>	<u>( 159,634)</u>
Notes Receivable, Non-Current		<u>\$2,324,254</u>	<u>\$ 991,837</u>

**G. CONDUIT DEBT OBLIGATIONS**

The Authority has issued debt obligations on behalf of certain non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in Governmental Accounting Standards Board Interpretation No. 2, Disclosure of Conduit Debt Obligations. The number of issues and principal amount outstanding at December 31, 2008 and 2007 are as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Number of Issues</u>	<u>Principal Amount</u>	<u>Number of Issues</u>	<u>Principal Amount</u>
Revenue Bonds Payable	141	\$ 6,779,331,314	153	\$ 6,117,619,784
School District Advance Funding and Private Education Notes Payable	<u>2</u>	<u>6,700,000</u>	<u>5</u>	<u>17,350,000</u>
Total	<u>143</u>	<u>\$ 6,786,031,314</u>	<u>158</u>	<u>\$ 6,134,969,784</u>

**SUPPLEMENTAL  
INFORMATION**

**Independent Auditors' Report  
On Additional Information**

To the Members of the  
Missouri Health and Educational Facilities Authority  
Chesterfield, Missouri

Our report on our audits of the basic financial statements of the Missouri Health and Educational Facilities Authority for the years ended December 31, 2008 and 2007 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Conduit Debt is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

*Schmersahl Treloar & Co., PC*  
March 11, 2009

Missouri Health and Educational Facilities Authority  
SCHEDULE OF CONDUIT DEBT  
UNAUDITED December 31, 2008 and 2007

**MORTGAGE AND REVENUE BONDS PAYABLE**

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at December 31, 2008 and 2007:

**PUBLIC PLACEMENT REVENUE BONDS PAYABLE**

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2008	2007
Academie Lafayette	2003	2028	(1)	\$ 2,550,000	\$ 2,550,000
Ascension Health	2003	2026-2039	(1)	193,325,000	295,375,000
Ascension Health	2008C	2015-2026	(1)	102,050,000	-
Assemblies of God	2001	2026	(1)	44,300,000	45,900,000
Barstow School*	1998	1999-2023	3.80-5.40	-	3,085,000
Barstow School*	2003	2026	(1)	-	5,700,000
Barstow School	2008	2010-2040	(1)	10,345,000	-
BJC-Barnes Hospital*	1985	1986-2015	(1)	22,300,000	24,500,000
BJC Health System*	1993	1994-2021	2.70-6.00	85,150,000	96,675,000
BJC Health System*	2003	2016-2033	4.125-5.25	221,000,000	221,000,000
BJC Health System*	2005AB	2015-2034	4.125-5.00	157,890,000	157,890,000
BJC Health System*	2006ABC	2015-2038	(1)	-	243,575,000
BJC Health System*	2008ABCDE	2014-2038	(1)	368,575,000	-
Bethesda Health Group Inc.	2001AB	2002-2031	(1)	11,625,000	49,560,000
Bethesda Health Group Inc.	2004	2032-2034	(1)	6,370,000	9,995,000
Bethesda Health Group Inc.	2006	2035-2037	(1)	9,995,000	9,995,000
Capital Region Medical*	1998	1999-2028	3.35-5.30	20,110,000	20,685,000
Capital Region Medical*	2004	2005-2029	2.25-5.75	15,980,000	16,375,000
University of Central Missouri	1999	2001-2010	4.25-5.05	1,165,000	2,050,000
University of Central Missouri	2002	2003-2017	1.25-4.35	9,630,000	10,525,000
The Children's Mercy Hospital*	2002	2005-2032	(1)	-	48,125,000
The Children's Mercy Hospital*	2003	2009-2023	(1)	-	27,500,000
The Children's Mercy Hospital*	2007AB	2008-2037	(1)	-	100,000,000
The Children's Mercy Hospital*	2008AB	2009-2032	(1)	74,975,000	-
Christian Brothers College HS	2002ABC	2032	(1)	40,000,000	50,000,000
Churchill School	2006	2008-2026	(1)	-	8,000,000
City Academy	2003	2023	(1)	-	1,460,000
Cox Medical Center*	1992	1995-2022	4.25-6.70	12,602,292	12,602,292
Cox Medical Center*	1993	1994-2015	2.60-5.35	29,925,000	33,180,000
Cox Medical Center*	1997	1998-2015	(1)	-	24,700,000
Cox Medical Center	2002	2003-2022	(1)	-	66,600,000
Cox Medical Center	2008ABC	2011-2043	(1)	267,500,000	-
Deaconess Long-Term Care*	1996	1997-2016	(1)	15,570,000	23,345,000
Deaconess Long-Term Care*	2000	2001-2030	(1)	5,325,000	5,965,000
De Smet Jesuit High School	2002	2027	(1)	15,000,000	15,000,000
Drury University*	1999A	2000-2024	(1)	24,705,000	25,790,000
Drury University	2003	2028	(1)	4,925,000	5,070,000
Fontbonne College*	1998	1999-2023	3.90-5.25	6,915,000	7,215,000
Freeman Health System*	1994	1995-2024	4.50-7.20	42,085,000	43,700,000
Freeman Health System*	1998	1999-2028	4.15-5.25	16,270,000	17,585,000
Jefferson Memorial Hospital*	2004	2005-2028	2.30-5.25	34,970,000	35,895,000
Jefferson Memorial Hospital*	2005	2006-2020	3.00-4.50	5,880,000	6,495,000

Missouri Health and Educational Facilities Authority  
**SCHEDULE OF CONDUIT DEBT**  
 UNAUDITED December 31, 2008 and 2007  
 (Continued)

**PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)**

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2008	2007
John Burroughs School	2003	2004-2014	1.25-4.20	\$ 3,865,000	\$ 4,440,000
K.C. Univ. of Med. & Biosciences*	2001	2002-2031	2.75-5.00	7,445,000	7,625,000
Kansas City Art Institute	2005	2035	(1)	12,000,000	12,000,000
Lake Regional Health System*	1996	1997-2021	4.35-6.50	3,185,000	3,650,000
Lake Regional Health System*	1998	1999-2024	3.90-5.25	29,795,000	30,920,000
Lake Regional Health System*	2003	2005-2034	2.35-5.70	25,665,000	26,140,000
Lutheran Church Extension Fund	2004A	2029	(1)	30,580,000	30,580,000
Lutheran Church Extension Fund	2007	2037	(1)	32,650,000	32,650,000
Lutheran HS Assoc. Project	2002	2022	(1)	4,100,000	4,400,000
Lutheran Senior Services	2000	2031	(1)	49,060,000	49,060,000
Lutheran Senior Services*	2005A	2024-2035	4.60-5.375	30,000,000	30,000,000
Lutheran Senior Services*	2005B	2006-2027	3.15-5.125	20,395,000	21,080,000
Lutheran Senior Services*	2007ABC	2008-2042	4.00-5.00	59,500,000	60,500,000
Lutheran Senior Services*	2008	2032-2039	(1)	50,000,000	-
Maryville University*	2006	2007-2030	3.70-5.00	23,655,000	24,300,000
Missouri Baptist College*	1998	1999-2023	3.90-5.15	2,905,000	3,035,000
Missouri Baptist College	2003	2022	(1)	7,420,000	7,420,000
Missouri Pooled Hospital Loan Program*	1999A	2002-2029	(1)	14,560,000	15,280,000
Mother of Good Counsel Home	2007	2037	(1)	10,000,000	10,000,000
National Benevolent Assn.*	1994	1996-2024	3.50-6.10	3,420,000	3,420,000
National Benevolent Assn.*	1996A	1997-2026	4.50-6.75	2,080,000	2,080,000
National Benevolent Assn.*	1996B	1997-2026	(1)	2,390,000	2,390,000
National Benevolent Assn.*	1999	2000-2029	(1)	2,575,000	2,575,000
Parkside Meadows*	2007	2008-2027	(1)	10,907,000	11,000,000
Pembroke Hill School*	1998	1999-2023	(1)	12,500,000	12,750,000
Pembroke Hill School*	2000	2001-2025	(1)	8,800,000	8,950,000
Pembroke Hill School*	2001	2002-2026	(1)	8,950,000	9,100,000
Pembroke Hill School*	2007	2008-2027	(1)	5,900,000	6,000,000
Ranken Technical College*	2007	2007-2031	(1)	16,200,000	16,775,000
Rockhurst High School*	1998AB	1999-2023	3.85-5.10	10,555,000	11,035,000
Rockhurst High School	2002	2027	(1)	5,500,000	5,500,000
Rockhurst High School	2006	2031	(1)	5,000,000	5,000,000
Rockhurst University*	1999	1999-2028	3.50-5.50	12,770,000	13,130,000
Rockhurst University	2002	2003-2032	(1)	24,095,000	24,695,000
Sisters of Mercy	2001ABC	2031	(1)	378,300,000	378,300,000
Sisters of Mercy*	2004ABC	2004-2019	(1)	-	108,900,000
Sisters of Mercy	2008ABC	2009-2019	(1)	110,000,000	-
Sisters of Mercy	2008DEFGH	2025-2039	(1)	300,000,000	-
Southwest Baptist University*	1998	1999-2023	4.15-5.40	5,185,000	5,410,000
Southwest Baptist University	2003	2006-2033	(1)	7,425,000	7,625,000
Missouri State University	2002	2003-2016	1.35-4.35	3,375,000	3,735,000
SSM Health Care*	1998	2002-2022	5.00-5.50	65,695,000	73,555,000
SSM Health Care*	2001A	2012-2028	5.25	28,210,000	28,210,000
SSM Health Care*	2002AB	2003-2020	(2)	80,675,000	80,675,000
SSM Health Care*	2005ABCD	2008-2035	(1)	599,635,000	753,900,000
SSM Health Care*	2008A	2020-2036	5.0	104,000,000	-

Missouri Health and Educational Facilities Authority  
SCHEDULE OF CONDUIT DEBT  
UNAUDITED December 31, 2008 and 2007  
(Continued)

**PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)**

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2008	2007
St. Anthony's Medical Center*	2005AB	2006-2030	(1)	\$ 80,050,000	\$ 82,300,000
St. Anthony's Medical Center*	2006AB	2009-2036	(1)	70,000,000	70,000,000
St. Francis Medical Center*	1996	1997-2026	(1)	12,290,000	19,510,000
St. John Vianney H.S.	2005	2030	(1)	4,000,000	5,000,000
St. John Vianney H.S.	2006	2018	(1)	3,500,000	3,500,000
St. Louis Charter School*	2002AB	2004-2023	4.25-5.10	5,320,000	5,540,000
St. Louis College of Pharmacy*	2006	2007-2027	3.20-4.40	42,750,000	44,275,000
St. Louis Priory School	2000	2002-2025	4.45-5.65	5,245,000	5,435,000
St. Louis University*	1998	1999-2018	4.00-5.50	36,720,000	41,265,000
St. Louis University	1999AB	2000-2024	(1)	46,480,000	49,195,000
St. Louis University	2002	2003-2032	(1)	8,175,000	12,535,000
St. Louis University*	2003A	2003-2016	(1)	7,775,000	9,150,000
St. Louis University*	2005A	2017-2035	(1)	-	71,600,000
St. Louis University*	2006A	2007-2035	(1)	-	99,425,000
St. Louis University	2008AB	2008-2035	(1)	169,910,000	-
St. Louis University HS	1999	1999-2028	2.95-5.00	4,215,000	4,215,000
St. Louis University HS	2007	2007-2028	3.75-4.25	16,075,000	16,975,000
St. Luke's Episc.-Presb. Hospital*	2001	2003-2026	3.35-5.25	59,900,000	62,745,000
St. Luke's Health System*	1996	1997-2026	4.00-5.375	23,380,000	24,470,000
St. Luke's Health System*	2003AB	2020-2032	(1)	125,000,000	125,000,000
St. Luke's Health System	2004A	2004-2019	2.00-5.00	73,815,000	78,765,000
St. Luke's Health System*	2005AB	2020-2035	(1)	100,000,000	100,000,000
St. Luke's Health System*	2007	2017-2036	4.50-5.00	54,210,000	54,210,000
St. Luke's Health System	2008ABC	2021-2040	(1)	140,000,000	-
St. Pius-KC/St. Joseph Diocese	2004AB	2029	(1)	6,200,000	6,200,000
Stephen's College*	1999	2000-2029	4.10-6.00	3,770,000	3,855,000
Stowers Institute	2000	2035	(1)	215,000,000	215,000,000
Stowers Institute*	2002	2032-2036	(1)	75,000,000	75,000,000
Truman Medical Center	2005	2014	(1)	8,400,000	8,400,000
Univ. of Missouri Arena Project*	2001	2004-2021	3.00-5.00	27,825,000	29,370,000
Washington University*	1984	1985-2009	(1)	1,700,000	3,800,000
Washington University*	1985	1986-2010	(1)	3,500,000	5,000,000
Washington University	1996	2030	(1)	142,400,000	142,400,000
Washington University	1998A	2037	4.75-5.00	105,770,000	105,770,000
Washington University	2000ABC	2030-2040	(2)	88,000,000	88,000,000
Washington University	2001A	2011-2041	5.00-5.50	53,390,000	53,390,000
Washington University	2001B	2030	5.00	73,355,000	73,355,000
Washington University	2003A	2033	5.00	93,430,000	93,430,000
Washington University	2003B	2033	(1)	25,135,000	25,135,000
Washington University*	2004AB	2006-2034	(1)	94,600,000	96,500,000
Washington University	2005A	2006-2022	3.00-5.00	17,960,000	18,910,000
Washington University*	2007AB	2021-2041	4.20-5.00	230,995,000	230,995,000
Washington University	2008A	2018-2039	5.25-5.375	193,625,000	-
Webster University	2001	2003-2027	3.625-5.50	29,875,000	30,815,000
William Jewell College*	2005	2006-2035	2.75-4.450	16,260,000	16,815,000
William Woods Univ.*	1999	2000-2029	3.25-5.20	-	6,810,000
Total Public Placement Revenue Bonds Payable				<u>\$ 6,704,929,292</u>	<u>\$ 6,035,512,292</u>



Missouri Health and Educational Facilities Authority  
**SCHEDULE OF CONDUIT DEBT**  
 UNAUDITED December 31, 2008 and 2007  
*(Continued)*

**PRIVATE PLACEMENT REVENUE BONDS PAYABLE**

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2008	2007
Barat Academy	2007	2007-2037	5.95	\$ 12,500,000	\$ 12,500,000
Churchill School	2008	2009-2026	(1)	5,475,000	-
Cox Medical Centers	2007	2007-2017	4.32	4,415,856	4,831,884
Dialysis Clinic	1998	2000-2018	(1)	2,700,000	2,900,000
Dialysis Clinic	2000	2001-2020	(1)	2,900,000	3,100,000
Family Care Health Center	2001	2001-2021	6.53	2,485,679	2,614,068
Forsyth School	1996	1996-2016	6.99	663,200	726,000
Forsyth School	2004	2006-2024	(1)	3,272,220	3,483,332
Kansas City Academy	1993	1993-2013	6.50	69,513	82,407
Lake Regional Health System	2004AB	2004-2009	3.44-3.49	128,652	632,232
Life Flight Eagle	2003	2004-2013	5.25	3,418,021	3,635,514
Life Flight Eagle	2007	2007-2017	4.30	2,882,211	3,061,992
Living Word Christian School	2002	2002-2027	(1)	4,063,621	4,205,786
SSM Health Care	2001B	2002-2008	3.73-4.23	-	120,626
SSM Health Care	2002	2002-2009	4.27	242,129	625,305
SSM Health Care	2003B	2003-2008	3.09	-	1,559,484
SSM Health Care	2004	2004-2009	3.65	1,439,579	3,708,198
SSM Health Care	2006	2006-2011	3.79	5,250,616	7,674,142
SSM Health Care	2007	2007-2012	3.56	7,663,725	9,540,995
St. Anthony's Medical Center	2007	2007-2014	4.01	2,472,807	2,873,541
Truman Medical Center	2002	2003-2012	5.47	1,854,876	2,297,409
Truman Medical Center	2006ABC	2007-2018	5.20-5.435	9,401,239	10,734,577
University of Central Missouri	2007	2008-2017	4.90	1,103,078	1,200,000
Total Private Placement Revenue Bonds Payable				74,402,022	82,107,492
Total Revenue Bonds Payable				\$ 6,779,331,314	\$ 6,117,619,784

- (1) Rate fluctuates within established minimum and maximum ranges.
  - (2) Interest rate range applies to a portion of this bond issue, and a variable rate applies to the remainder.
- \* Subject to mandatory redemption.

**SCHOOL DISTRICT ADVANCE FUNDING AND PRIVATE EDUCATION NOTES PAYABLE**

The Authority issues public school notes for the purpose of providing funds to purchase the tax and revenue anticipation notes ("TRANS") of certain Missouri school districts and to assist them in maintaining an orderly cash flow. These notes are collateralized by the "TRANS", bear interest at the rate of 4.00% per annum, and are issued pursuant to Indentures of Trust. At December 31, 2007, total public school notes outstanding were \$11,115,000. The notes have a one year term and mature on November 3, 2008. Public school notes payable were not issued during the year ended December 31, 2008.

Missouri Health and Educational Facilities Authority  
SCHEDULE OF CONDUIT DEBT  
UNAUDITED December 31, 2008 and 2007  
(Continued)

**SCHOOL DISTRICT ADVANCE FUNDING AND PRIVATE EDUCATION NOTES PAYABLE**

The Authority also issues private education notes for the purpose of providing funds, assisting in capital projects and maintaining orderly cash flows. The notes bear interest at a rate of 3.00% per annum, are issued pursuant to an Indenture of Trust and are secured by a pledge of the Trust Estate, using any and all available resources. At December 31, 2008 and 2007, total private education school notes outstanding were \$6,700,000 and \$6,235,000, respectively. The notes have a one year term and mature on April 23, 2009 and April 24, 2008, respectively.

At December 31, 2008 and 2007, the outstanding public school and private education notes payable were as follows:

	<u>2008</u>	<u>2007</u>
<b>PUBLIC SCHOOL NOTES PAYABLE</b>		
Fayette R-III School District	\$ -	\$ 920,000
Mehlville R-IX School District	-	6,955,000
Webster Groves School District	<u>-</u>	<u>3,240,000</u>
 Total Public School Notes Payable	 <u>-</u>	 <u>11,115,000</u>
 <b>PRIVATE EDUCATION NOTES PAYABLE</b>		
Central Methodist University	1,200,000	1,255,000
Rockhurst University	<u>5,500,000</u>	<u>4,980,000</u>
 Total Private Education Notes Payable	 <u>6,700,000</u>	 <u>6,235,000</u>
 Total Public School and Private Education Notes Payable	 <u>\$ 6,700,000</u>	 <u>\$ 17,350,000</u>

Missouri Health and Educational Facilities Authority  
**SCHEDULE OF CONDUIT DEBT**  
 UNAUDITED December 31, 2008 and 2007  
*(Continued)*

**MATURITIES OF OUTSTANDING CONDUIT DEBT OBLIGATIONS**

The aggregate maturities of the outstanding conduit debt obligations above at December 31, 2008, are as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	128,561,620	2021	170,926,005	2033	293,244,164
2010	125,199,129	2022	160,989,108	2034	182,071,198
2011	129,730,105	2023	160,389,215	2035	389,901,108
2012	127,097,444	2024	152,088,327	2036	279,419,071
2013	117,022,148	2025	204,756,500	2037	375,838,759
2014	158,759,509	2026	238,468,357	2038	134,130,000
2015	158,809,525	2027	250,673,880	2039	441,670,000
2016	174,245,070	2028	197,451,657	2040	144,705,000
2017	124,301,822	2029	233,426,614	2041	77,140,000
2018	171,574,442	2030	420,888,708	2042	19,335,000
2019	132,994,233	2031	263,078,071	2043	18,905,000
2020	136,700,685	2032	291,539,840		
					<u>\$ 6,786,031,314</u>

**DEFEASED BOND ISSUES**

Since 1983, certain institutions obtained financing to advance refund and defease their outstanding Revenue Bonds through the Authority.

Pursuant to the requirements of the bond loan agreements, the institutions have deposited amounts into escrow trust accounts sufficient to pay all outstanding principal, interest and redemption premiums as they become due. The amounts so transferred are pledged solely for the holders of the outstanding bonds.

At December 31, 2008, the following amounts of advance refunded and defeased bonds were outstanding:

<u>Institution</u>	<u>Series</u>	<u>2008</u>
Maryville University	2000	\$ 15,000,000
Missouri College Savings Bonds	1989	910,773
St. Anthony's Medical Center	2000	76,705,000
Washington University	2001A	65,000,000
Washington University	2001A	58,100,000
William Jewell College	1999	8,000,000
		<u>\$ 223,715,773</u>
Total Defeased Bond Issues		

Due to the defeasance of these bond issues, the bonds payable balances are not included in the Schedule of Conduit Debt Obligations above.